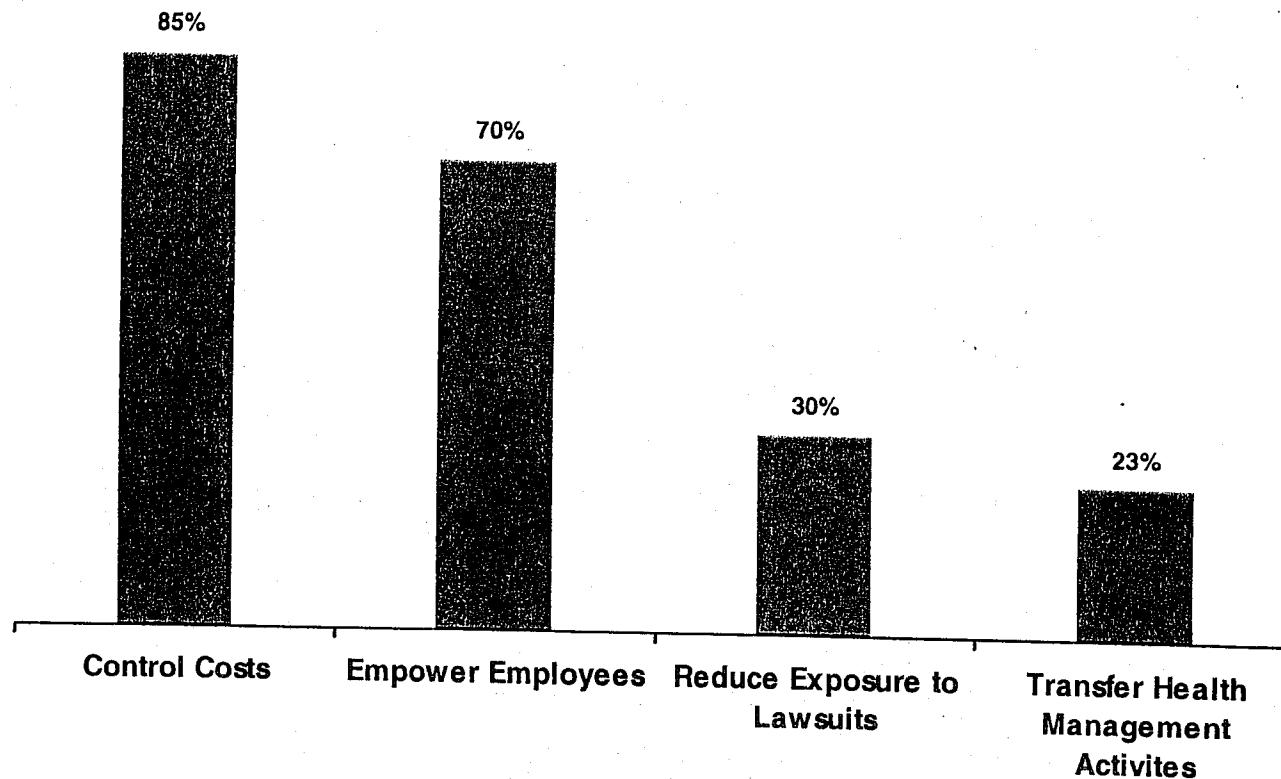


One of the reasons employers are interested in defined contribution products is to control costs.

Top Reasons Employers are Considering a Defined Contribution Approach (% of Respondents)



Source: Hewitt Associates, *Healthcare Expectations: Future Strategy and Direction*, November 2000

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Both for-profits and non-profits are exiting the Medicare risk program as costs increase without corresponding increases in Federal funding.

Health Plans Exiting Medicare Risk (Effective January 2001*)

Health Plan (Parent)	Affected Enrollees
Aetna U.S. Healthcare	284,876
CIGNA HealthCare	97,009
Humana	66,176
United Healthcare	53,164
Prudential	52,087
Free State Health Plan	31,355
HMO of Northeastern PA, Inc.	30,723
Anthem Health Plans	25,961
Penn State Geisinger Health Plan	16,648
PacifiCare	16,188
Fifty-five other for-profit and non-profit Plans	267,323
Total Pullouts	925,322

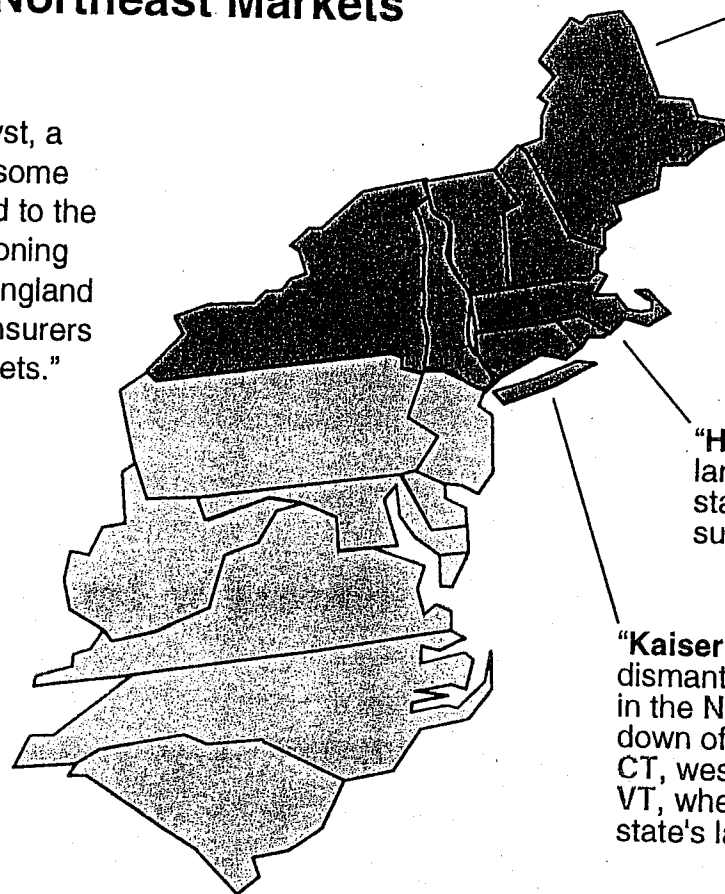
*Medicare + Choice plans were required to submit service area changes that would impact their CY2001 offerings by July 3, 2000

Source: Centers for Medicare & Medicaid Services (formerly Health Care Financing Administration), Medicare + Choice Nonrenewals, July 2000

The need to operate in a sound business manner is driving health plans - even non-profits - to exit unprofitable markets.

Health Plans Exiting Northeast Markets (1999)

- According to Community Catalyst, a consumer advocacy group, "in some states, insurers have responded to the financial crisis by simply abandoning unprofitable markets. In New England alone, three major **non-profit** insurers have retreated from some markets."



"MA based Tufts Health Plans, the region's second-largest HMO, is also curtailing its New England operations. In October, it announced plans to pull out of Maine in October, and just before Thanksgiving it announced it would also shut down its RI and NH operations because of an estimated \$45 million in operating losses."

"Harvard Pilgrim, RI's 2nd largest insurer, is leaving the state in 1999, displacing 155K subscribers."

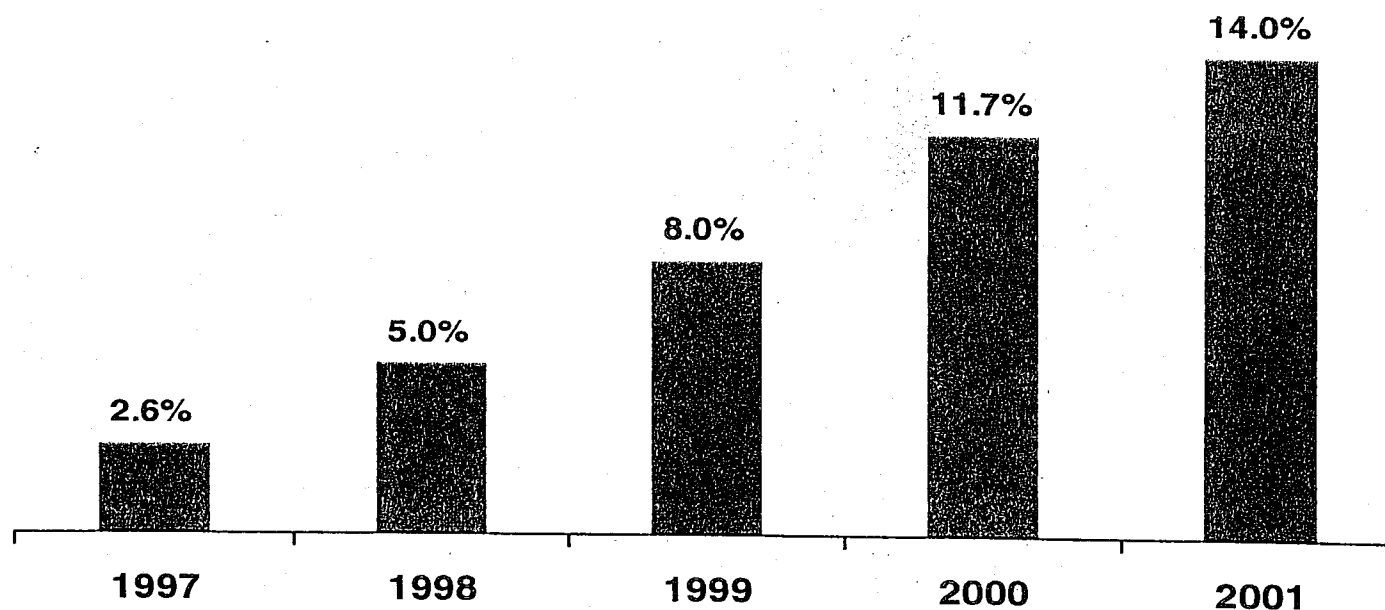
"Kaiser Permanente is dismantling its entire network in the Northeast, shutting down offices and clinics in NY, CT, western MA, as well as in VT, where it had been the state's largest HMO."

Source: Community Catalyst, *States of Health*, Volume 9, No. 4, December 1999

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Health plans have been forced to raise rates across all products, including HMO and POS products.

HMO/POS Rates, % Increase in Average Per Employee Premium
(Fully Insured Plans Only)



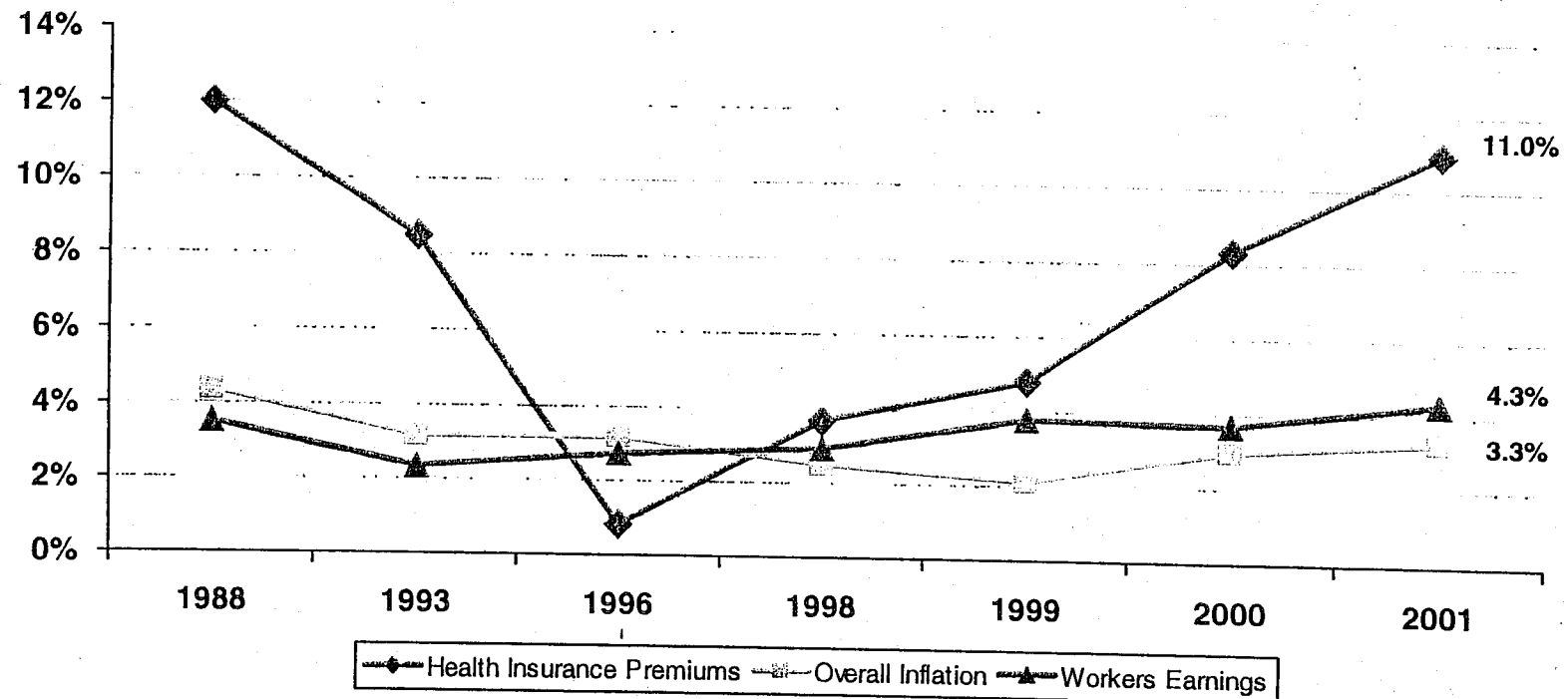
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Source: Credit Suisse First Boston, *Benefit Manager Survey*, January 30, 2001

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The rise in health insurance premiums has outpaced other national indicators since 1996.

Health Insurance Premiums Compared to Other Indicators (1998-2001)



Premium increases noted in graph reflect an average of HMO, PPO, POS and Indemnity plans.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001; KPMG Survey of Employer-Sponsored Health Benefits: 1998, 1993, 1996

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